

PROCESSING COPY

## INFORMATION REPORT INFORMATION REPORT

## CENTRAL INTELLIGENCE AGENCY

This material contains information affecting the National Defense of the United States within the meaning of the Espionage Laws, Title 18, U.S.C. Secs. 793 and 794, the transmission or revelation of which in any manner to an unauthorized person is prohibited by law.  
S-E-C-R-E-T

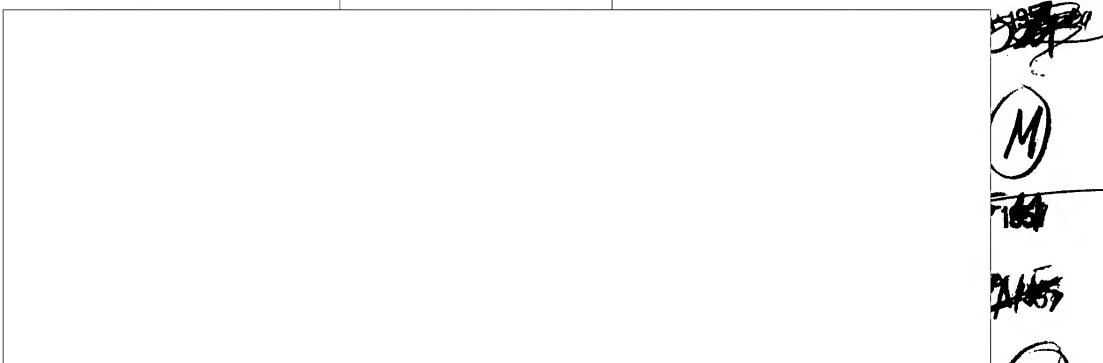
25X1

COUNTRY	East Germany	REPORT	
SUBJECT	Organization and Administration of VHZ Schrott (Central Office for allocating scrap metals to industries upon series of requirements)	DATE DISTR.	19 AUG 1957
DATE OF INFO.		NO. PAGES	1
PLACE & DATE ACQ.		REQUIREMENT NO.	RD
		REFERENCES	25X1

SOURCE EVALUATIONS ARE DEFINITIVE APPRAISAL OF CONTENT IS TENTATIVE

study of the organization and administration of VHZ Schrott and especially of its Central Office. The study is for use in considering the feasibility of central direction versus regional direction of factories after the dissolution of present Main Administrations.

25X1



S-E-C-R-E-T

STATE	X	ARMY	X	NAVY	X	AIR	X	FBI		AEC			
(Note: Washington distribution indicated by "X"; Field distribution by "#".)													

INFORMATION REPORT INFORMATION REPORT

~~SECRET~~

## Duties of the Central Office of the VHZ Schrott

I. VHZ Schrott has the job of getting as much scrap as possible at the least possible expense and delivering it in type and quantity needed as required by the scrap consumers.

In the DDR there are about 17,500 collecting stations assigned to 5,500 centrally and locally directed factories plus 2000 collecting points at the cooperative and private factories, and 10,000 collecting points in the communities. These last receive scrap mainly from collections drives by the mass organizations, schools, and pensioners.

The VHZ Schrott has 344 trucks, 120 tractors, 649 trailers, 153 motorcycles, and 105 passenger cars.

In 1957 VHGS will collect 2,600,000 tons of scrap and deliver it to consumers by ER! It has 83 employees at the central office, 5,500 in the 19 branch offices with 71 sub-offices and 200 loading points. Total wages at Hq 630,000 DMO, total expenses 923,000 DMO. In the branch offices total wages 27,000,000 DMO, total expenses 58,400,000 DMO.

Total turnover in 1957 will be about 190,000,000 DMO. This does not include some 90,000,000 DMO of direct deals straight to the consumer without any sale price. (This includes Blauschrott and Eigenanfall, i.e. VHGS claims credit for scrap put to use by the factory where it was produced.)

The costs of the central office amount to .92% of the turnover or .49 DMO per ton. However scrap is sold far under the market price of 260 DMO per ton. Using this price costs would amount to only .2% of turnover.

II. The experience of VHGS has shown that strong centralization of guidance and direction are necessary. Good organization of the central office is requisite for quality and success of all the work. The central office ~~exercises~~ exercises this central direction of the branch offices without any in-between offices.

The director has three sections under him: planning, collection, distribution. There are 5600 employees in the ministries and factories who help locate scrap in their spare time and are rewarded with bonuses. There are 30 scrap chiefs in the whole country who manage and direct the work of the scrap sections in the VEB's.

~~SECRET~~

2 ~~SECRET~~

25X1

In addition to the paid employees there is a volunteer reserve composed of the schools, mass organizations, and 3,554 registered pensioners.

The central office has also a technical director, a commercial director, and a chief bookkeeper. There is also a section for ~~plant management and training (Betriebswirtschaft und Instruktion)~~ rationalization and instruction.

The system of central control is supported by a reports system which includes daily TWX reports from the branch offices on steel scrap receipts and every five days on copper and brass, and reports from the suboffices on deliveries of scrap to the steel plants.

These reports are analysed and instructions sent to the suboffices by TWX. All this paper work is handled by one employee.

Central guidance includes limiting deliveries of scrap to actual needs of the plants - if one or more furnaces are shut down, scrap deliveries are correspondingly reduced.

Conferences are held about once a month with the heads of the branch offices in Berlin to keep everyone informed on all problems, and leading officials of the central office visit the subordinate offices regularly. Also instructors and auditors visit the subordinate offices.

There is a file on each branch office at central Hq which contains all pertinent material. The director also has a folder for all the basic problems of the VHGS. There is also a card file system through which the director is able to keep an eye on the performance of each employee in Berlin and in all the subordinate offices.

In conclusion it can be said that there are exceptional circumstances at VHGS which require strict centralization to guarantee success. Years of success in total volume and in keeping down costs attest to this.

Departure from this method would seriously endanger results.

Whether this system could be adopted in industrial production, e.g. in metallurgy, would have to be examined and considered.

### III.

The success of VHGS can be attributed to the following:

- a. Good leadership and strict guidance of the sub-offices.
- b. Exact application of the principle of leadership with the help of planning and plan control both of volume and of value.
- c. Thorough analysis and interpretation of results.
- d. Basic economic-political indoctrination of leading employees.
- e. Efficient disciplined organization throughout.

These basic principles could be applied to any industry, but in supervising factories main emphasis would have to be on long range planning, which is unimportant for VHGS. This is under the assumption that the guiding office would supervise an entire industry. If the industry is divided ~~among~~ among several guiding offices, perspective planning would have to be done by the ministry.

~~SECRET~~